

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AID-05 CIAE-00
FRB-03 INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 STR-07 OES-07 /100 W
-----034799 011013Z /11

R 311732Z MAY 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6679
TREASURY DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USMISSION GENEVA
USDOC WASHDC

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USEEC ALSO FOR EMBASSY
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PASS OST, DR. PRESS; DOD, DDR AND E, DR. PERRY

E.O. 11652: N/A
TAGS: ECON, EFIN, PINT, UK
SUBJECT: NEB -- SEMI-CONDUCTOR SCHEME
SUMMARY: SILICON CHIPS ARE AT THE HEART OF THE CURRENT
REVOLUTION IN INDUSTRIAL TECHNOLOGY. THE DIFFUSION OF
THIS INNOVATION IN THE FORM OF LARGE CAPACITY MICROPROC-
ESSORS WILL RAPIDLY REACH EVERY CORNER OF THE INDUSTRY.
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INITIAL BREAKTHROUGHS IN THE AREA OF SILICON CIRCUITS
WERE MADE IN THE U.S. IN THE EARLY 1960'S. A RAPIDLY
GROWING INDUSTRY TOOK ROOT IN WHAT HAS COME TO BE KNOWN
AS SILICON VALLEY, CALIFORNIA AND ESTABLISHED A POSITION
OF GLOBAL DOMINANCE. THE IMPLICATIONS OF THE SILICON
REVOLUTION HAVE BEGUN TO DAWN ON COMPANIES AND GOVERN-
MENTS. THE JAPANESE IN PARTICULAR ARE MOUNTING A WELL-

FINANCED CHALLENGE TO AMERICAN DOMINANCE. IT NOW APPEARS THAT THE U.K. IS MOVING IN A SIMILAR DIRECTION. THE GOVERNMENT-OWNED NATIONAL ENTERPRISE BOARD HAS OBTAINED CABINET APPROVAL FOR A 30-MILLION POUND SCHEME TO PUT BRITAIN IN THE FOREFRONT OF MICROPROCESSOR TECHNOLOGY BY 1980. END SUMMARY.

1. ACCORDING TO PRESS REPORTS, THE CABINET HAS JUST APPROVED A NATIONAL ENTERPRISE BOARD (NEB) SCHEME TO PUT BRITAIN AT THE FRONTIER OF SEMI-CONDUCTOR TECHNOLOGY. THE NEB PROPOSAL INVOLVES AN INITIAL OUTLAY OF 30 MILLION POUNDS TO SET UP A SUBSIDIARY TO DESIGN AND PRODUCE VLSI SILICON CHIPS WITH A MEMORY CAPACITY OF 64 K COMPARED WITH THE 16 K CHIPS JUST BEING INTRODUCED BY THE DOMINANT U.S. PRODUCERS.

2. THE NEB SCHEME IS NOTABLE FOR ITS AMBITION, DARING AND IMAGINATION. IT IS UNUSUAL FOR A PUBLIC BODY SUCH AS THE NEB TO SHOW SIGNS OF ENTREPRENEURIAL FLAIR. BEST KNOWN FOR ITS THANKLESS TASK OF ACTING AS A REPOSITORY FOR THE PUBLIC HOLDINGS IN BRITISH LEYLAND, ROLLS-ROYCE AND SOME SMALLER LAME DUCKS, THE NEB HAS ALSO SOUGHT TO INJECT CAPITAL INTO SMALL FIRMS WHICH ARE DEEMED TO HARBOR CONSIDERABLE GROWTH POTENTIAL.

3. WHILE THE NEB HAS SPREAD THESE CAPITAL INFUSIONS WIDELIMITED OFFICIAL USE

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LY, THERE HAS BEEN A PATTERN TO THEM. IT HAS CONCENTRATED TO SOME EXTENT IN COMPUTERS, ELECTRONICS AND RELATED ACTIVITIES. THE NEW SCHEME FOLLOWS THIS TREND, BUT DWARFS ANYTHING PREVIOUSLY ATTEMPTED. WHILE FEW DETAILS HAVE YET SURFACED, THE SCHEME ATTESTS TO NEB'S DETERMINA-

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TION TO ESTABLISH BRITAIN AS A MAJOR MANUFACTURER OF SILICON CHIPS. THE MOST INTERESTING FACET OF THE PROPOSAL IS THE REPORTED OFFERING OF EQUITY PARTICIPATION IN THE NEB SUBSIDIARY TO BRITISH EXPATRIATES AND SOME AMERICANS CURRENTLY WORKING FOR CALIFORNIA FIRMS. THESE INDIVIDUALS WOULD PUT UP NO MONEY OF THEIR OWN BUT RATHER WOULD RECEIVE SHAREHOLDINGS ON A SLIDING SCALE RISING TO PERHAPS 30 PERCENT IN THE EVENT THE PROJECT REALIZES THE GOALS NOW BEING ESTABLISHED. USING EQUITY PARTICIPATION AS A MEANS OF REWARDING PRIVATE INDIVIDUALS IS CLEARLY A RADICAL DEPARTURE FOR A BRITISH PUBLIC BODY. ACCORDING TO THE LIMITED OFFICIAL USE

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NEW STATESMAN, THESE PEOPLE HAD ORIGINALLY APPROACHED THE GENERAL ELECTRIC CORPORATION (A MAJOR U.K. FIRM) AMONG OTHER PRIVATE SECTOR FIRMS TO BANKROLL A VENTURE IN THE U.K. AND WERE REBUFFED ON GROUNDS OF EXCESSIVE RISK.

4. THE NEB PROPOSAL DID NOT FACE CLEAR SAILING IN OBTAINING CABINET APPROVAL. THE IDEOLOGICAL LEFT SAW NO REASON TO ENRICH PRIVATE INDIVIDUALS WITH PUBLIC MONEY, THE DEPARTMENT OF INDUSTRY IS NOT CONFIDENT THAT THE NEB SCHEME CAN CRACK U.S. DOMINANCE OF THE AMERICAN MARKET WHERE SALES ARE CRUCIAL, AND PRIVATE U.K. FIRMS (LIKE GEC) INTERESTED IN ENTERING THE FIELD ARE OPPOSED TO THE PRESENCE OF A PUBLIC COMPETITOR. NEVERTHELESS THE SCHEME SEEMS SET TO GO AHEAD. ITS PROGRESS OR LACK OF IT WILL

DETERMINE WHETHER THE NEB'S AGGRESSIVE RISK-TAKING IS RE-
WARDED COMMENSURATELY.

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Message Attributes

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Draft Date: 31 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
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Subject: NEB -- SEMI-CONDUCTOR SCHEME SUMMARY: SILICON CHIPS ARE AT THE HEART OF THE CURRENT REVOLUTION IN INDUSTRIAL TECHNOLOGY. THE DIFFUSIO
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